News Release
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Senate passes bills extending tax deductions for residents with Michigan Education Savings Program accounts

LANSING – In recognition of September as College Savings Awareness Month, the Senate overwhelmingly passed legislation to expand the Michigan Education Savings Program accounts to include estates, trusts and tax-exempt organizations, Sen. Patty Birkholz, R-Saugatuck Township, announced today.

"Expanding this program allows parents to receive tax breaks on the money they are saving for their children's future education," Birkholz said. "Parents should be encouraged to continuously contribute money during the entirety of a child's college career and still receive tax breaks. They should not be penalized for withdrawing some funds during the freshman year."

House Bill 5534 would amend the Income Tax Act to prevent MESP account withdrawals from disqualifying future contributions from receiving tax benefits. Per state law, once a withdrawal is made from an MESP account, future contributions are no longer deductible for income-tax purposes.

Amending the Michigan Education Savings Program Act, HB 5782 would allow individuals, estates and trusts to enter into contracts establishing accounts and become "account owners."

The MESP Act, created in 2000, was designed to allow individuals to contribute money to an account that can later be used to pay for higher education costs. Contributions of up to $235,000 are tax deductible up to $5,000 for a single account and $10,000 for a joint account.

"With the rising costs of higher education, it only makes sense to expand the tax breaks," Birkholz said. "This is a great program and we need to provide the best incentives possible so more families take advantage of it."

HB 5783 was passed by the Senate with an amendment and will now go back to the House of Representatives for approval. HBs 5534 and 5782 now go to the governor.

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